



**EXAMINATION OF SELECTED TRANSACTIONS  
WITHIN THE CABINET FOR FAMILIES AND CHILDREN  
FOOD STAMP PROGRAM**

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## **CONTENTS**

	<b><u>Page</u></b>
<b><u>TRANSMITTAL LETTER</u></b>	<b>1</b>
<b><u>FINDINGS AND RECOMMENDATIONS</u></b>	<b>3</b>
<b><u>CABINET FOR FAMILIES AND CHILDREN RESPONSE</u></b>	<b>10</b>
<b><u>CABINET FOR HEALTH SERVICES RESPONSE</u></b>	<b>13</b>





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

January 15, 2003

Dr. Viola Miller, Secretary  
Cabinet for Families and Children  
275 East Main Street, 4W-A  
Frankfort, Kentucky 40621

Marcia R. Morgan, Secretary  
Cabinet for Health Services  
275 East Main Street, 5<sup>th</sup> Floor  
Frankfort, Kentucky 40621

RE: Auditors' Report on Deceased Cabinet for Families and Children Food Stamp Program  
Participants

Secretaries Miller and Morgan:

We have performed an examination of selected transactions within the Food Stamp program administered by the Cabinet for Families and Children (CFC). Our objective was to determine whether Food Stamp benefits were paid to deceased former participants.

We interviewed CFC employees and examined records of the Food Stamp program, cross-referencing its payments from March 2002 through May 2002 to the records maintained by Kentucky's Public Health Office of Vital Statistics and to the records contained in the Social Security Death Index (SSDI). We identified over \$131,000 in Food Stamp benefits issued to 283 recipients for as long as 715 days after their dates of death, including at least \$24,353 of benefits that were spent after the recipients died. We also noted an overlooked opportunity for Vital Statistics to improve the accuracy of death records.



Secretary Miller  
Secretary Morgan  
January 15, 2003  
Page 2

The findings noted during our examination are presented and explained in the attached executive summary and report. Findings related to Food Stamp benefits were communicated to CFC personnel prior to the issuance of this report to allow CFC the opportunity to take prompt corrective action. We wish to thank CFC and Vital Statistics personnel for the cooperation extended to us during the course of our work.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

EBHJr:lah

## Findings and Recommendations

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### **Food Stamp Recipients continue to receive benefits well after death.**

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The Cabinet for Families and Children (CFC), Division of Family Support (DFS) operates the federal Food Stamp program for the Commonwealth of Kentucky, which assists qualified recipients with food purchases. According to the U.S. Department of Agriculture (USDA), over 450,000 people participated in the Food Stamp program in Kentucky during June 2002, and Food Stamp benefits exceeding \$350 million were issued to people in Kentucky during fiscal year 2001.

Since 1999, Food Stamp benefits have been issued via an Electronic Benefit Transfer (EBT) card, which uses a Personal Identification Number (PIN) to help prevent unauthorized use. Recipients spend their Food Stamp benefits by using their EBT card at participating retailers in the same manner as a bank debit card.

*The U.S. Congress addressed the problem of payments to deceased Food Stamp recipients in 1998 by statutorily requiring states to prevent such payments.*

In 1998, the U.S. General Accounting Office reported that during a study performed in California, Texas, New York, and Florida it found 26,000 deceased individuals counted as members of Food Stamp households, resulting in estimated overpayments totaling \$8.6 million over a two-year period. In response, the U.S. Congress passed an act that amended the Food Stamp Act of 1977 Section 11 (7 U.S.C. § 2020) effective June 1, 2000, stating:

- (r) Denial of Food Stamps for Deceased Individuals. Each State agency shall
  - (1) enter into a cooperative arrangement with the Commissioner of Social Security, pursuant to the authority of the Commissioner under section 205(r)(3) of the Social Security Act (42 U.S.C. 405 (r)(3)), to obtain information on individuals who are deceased; and
  - (2) use the information to verify and otherwise ensure that benefits are not issued to individuals who are deceased.

*Over \$131,000 in Food Stamp benefits were issued to 283 recipients for as long as 715 days after their dates of death.*

CFC has complied with the Food Stamp Act of 1977 as amended by instituting an automated crosscheck of Food Stamp recipients with Social Security Administration (SSA) death records. When a match is found, the Kentucky Automated Management and Eligibility System (KAMES) sends a spot-check to the DFS fieldworker and a supervisor for follow-up. We noted one instance in which this crosscheck and spot-check notification led to the timely discontinuance of future payments, and another instance in which it did not. Despite the cross-check procedure, we identified over \$131,618 in Food Stamp benefits issued to 283 recipients for as long as 715 days after their dates of death.

At the recommendation of the USDA Food and Nutrition Service (FNS), CFC performs the crosscheck at the time an individual applies for Food Stamp benefits and also at the time an individual is re-certified to continue receiving Food Stamp benefits. FNS personnel stated that the recommended timing was driven by the fact that although most states wanted to have the crosscheck performed monthly, the SSA was not capable of processing crosschecks that frequently.

Because a large portion of Food Stamp recipients are elderly and therefore certified to receive Food Stamp benefits for two-year periods, the timing of the cross-check leaves an extended period of time in which deceased individuals may still receive Food Stamp benefits.

*Over \$24,000 in Food Stamp benefits issued to deceased recipients appears to have been illegally spent.*

Of the \$131,618 in Food Stamp benefits issued to 283 deceased recipients, we found that benefits totaling at least \$24,353 were spent after the deaths of 67 recipients. In all 67 of these cases, the deceased was the only active household member listed in the Food Stamp case record. This indicates that other individuals likely obtained access to the deceased recipients' EBT cards and PINs, allowing them to make purchases after the recipients had died.



These instances of fraud were not known to involve Food Stamp trafficking, where benefits are sold or exchanged for unauthorized items, and each individual instance involved less than \$3,000. Consequently, CFC policy calls for DFS personnel to handle claims and attempt to recover stolen benefits without referral to outside investigative agencies. However, because many of these instances of fraud involved more than \$100, they are categorized as felonies under the Food Stamp Act of 1977, Sec. 15 (b)(1). As a result, we will refer these instances of fraud to appropriate investigative authorities.

*Thirty-three households with surviving members received over \$22,000 of the Food Stamp benefits issued to deceased recipients.*

Of the \$131,618 in Food Stamp benefits issued to deceased recipients, we found that \$22,509 was received by 33 households with surviving members. One surviving household member, acting as an authorized representative for the recipient, successfully completed the re-certification process nine months after the recipient's death.

The DFS fieldworker printed a record from a Social Security Administration database in order to verify the recipient's unearned income during re-certification. The fieldworker did not notice that this printed record showed the recipient was deceased. DFS management stated that all instances where Food Stamp cases involved surviving household members will be evaluated to determine whether overpayments took place.

*DFS fieldworkers did not have contact with some households every 12 months as required by the Food Stamp Act of 1977.*

We identified two procedural circumstances within DFS that allowed Food Stamp benefits to continue to be issued to deceased recipients. Food Stamp benefits were issued to 34 deceased recipients totaling \$16,831 spent after the deaths of the recipients.

First, the Food Stamp Act of 1977 Sec. 3 (c) states "[a] State agency shall have at least 1 contact with each certified household every 12 months." DFS has a 12-Month Review Form that is to be completed and signed by the recipient to comply with this requirement.

We found 50 cases in which the recipient died before the 12-Month Review Form was due, but the cases were either not discontinued, or the changed status was noted up to 12 months later when the next report was due. By examining case files and speaking with fieldworkers, we confirmed that 12-Month Review Forms were not completed for nine of the 50 cases.

In three of the nine confirmed cases, 12-Month Review Forms were mailed to the recipients for completion. However, these three cases were not discontinued despite the fact that responses were not received from the recipients and that one 12-Month Review Form was delivered back to DFS marked “return to sender.” A number of DFS fieldworkers indicated that their caseloads do not permit them sufficient time to complete and follow-up on all 12-Month Review Forms.

*DFS fieldworkers did not discontinue some Food Stamp cases when recipients did not respond to inactivity notices.*

The second procedural circumstance involved inactivity notices. As a control procedure, when an EBT card is not used for two consecutive months, the Kentucky Automated Management and Eligibility System (KAMES) automatically generates a notice that reminds the recipient that their EBT card has not been used and that unused Food Stamp benefits are subject to forfeiture through a process known as expungement. KAMES generates a similar notice after an EBT card has not been used for a period of six consecutive months as well. If not used, benefits are electronically expunged after nine months and returned to the Food Stamp program.

After KAMES generates the inactivity notice, which is then mailed to the recipient from Frankfort, a spot-check notice is sent to the DFS fieldworker for follow-up. DFS procedure requires payments to be discontinued where monthly Food Stamp benefits exceed \$25 and the recipient has not responded to the inactivity notice.

Of the 283 deceased recipients discovered, we found that in at least 88 cases having benefits above the threshold there was inactivity for more than two months. However, the absence of response to inactivity notices did not lead to timely discontinuation of payments. In one instance, an inactivity notice was returned to DFS marked “return to sender,” but payments were not discontinued until over eight months later.

A number of DFS fieldworkers said that their caseloads did not permit them sufficient time to follow-up on their spot-checks. DFS personnel also stated that a separate KAMES issue has caused duplicate spot-checks to be sent to fieldworkers that may have contributed to their inability to perform follow-up work.

### *Recommendations*

We recommend that DFS:

- Implement a procedure to compare Food Stamp recipients with the Kentucky Department of Vital Statistics (Vital Statistics) death certificate file on a monthly basis to minimize the amount of Food Stamp benefits issued to deceased recipients and the risk of fraudulent use;
  - Ensure consistent compliance with DFS procedures in order to prevent deceased individuals from receiving Food Stamp benefits or being re-certified to receive such benefits;
  - Ensure that the 33 cases involving households with surviving members are evaluated for over or underpayments and that benefits are adjusted accordingly; and,
  - Ensure consistent compliance with all requirements of the Food Stamp Act of 1977.
- 

### **The accuracy of Vital Statistics death records must be improved.**

To identify deceased Food Stamp recipients, we compared an electronic file provided by CFC containing three months of Food Stamp benefits to an electronic file provided by Vital Statistics containing a listing of deceased individuals. This comparison revealed 523 social security number (SSN) matches.

*Vital Statistics death records contained inaccurate SSN information for at least 142 of 523 individuals examined.*

We then attempted to verify the deceased status of each of these 523 individuals using the Social Security Death Index (SSDI) available through the Internet. We were able to find 315 of these individuals in the SSDI under the same SSN contained in the Vital Statistics death records. Of the remaining 208 individuals, we found that 142 were in the SSDI under a different SSN, while we could not find the remaining 66 individuals in the SSDI.

*Vital Statistics is provided with inaccurate death certificates.*

Vital Statistics receives death certificate information from local officials such as coroners' offices and must rely on that information as reported. According to Vital Statistics management personnel, there is no effective way for Vital Statistics to validate the information received.

Personnel from the Governor's Office for Technology (GOT) transmit the file containing updated death records from Vital Statistics to the SSA monthly, which feeds into the SSDI. We examined the death certificates for nearly 40 individuals listed in Vital Statistics death records under one SSN and in the SSDI under another SSN. We did not find a single data entry error among these death certificates, indicating that incorrect SSN information was provided to Vital Statistics.

*Information from the SSA that could increase the accuracy of Vital Statistics death records is not being used.*

After the SSA receives the file containing updated death records from GOT, the file is processed to validate records before updating the SSDI. According to SSA personnel, incorrect SSN information can be identified and corrected through a process referred to as alpha matching.

An example of this process would be if the name and date of birth for an individual according to Vital Statistics death records matches SSA records, but the SSN information differs. In this situation, the SSA would correct the SSN and accept the remainder of the Vital Statistics death record for that individual when appending the SSDI. This could explain why 142 deceased individuals were found in the SSDI under a different SSN.

If there are too many errors on an individual's Vital Statistics death record, the SSA will not be able to alpha match the individual and the record will be ignored, causing the SSDI to be incomplete. This could explain why 66 deceased individuals could not be found in the SSDI.

The SSA sends a report entitled "SSA Death Process Notice" (Notice) back to the Commonwealth that includes SSN and other errors found. Due to a provision in the cooperative agreement between the SSA and the states, the Notice only includes the first 20 errors found in each of the SSN, name, date of death, and date of birth fields. SSA personnel stated that Vital Statistics was issued a userid to access the Notice. However, Vital Statistics management personnel said that the Notice is not used to correct Vital Statistics death records because policy provides that death certificates can only be changed upon request from the party that initially submitted the certificate.

*It appears that nothing within state statutes or Death Unit Policy prohibits proactive correction of Vital Statistics death records.*

Vital Statistics management personnel identified KRS 213.076 and 213.121 as relevant statutes and provided a copy of the Death Unit Policy. We examined the statutes and the Death Unit Policy and were unable to identify any provision that prohibits Vital Statistics from correcting inaccurate death certificates based on information received from the SSA, as long as correction takes place before the certificate has been on file for five years. KRS 213.076(13) states “[a]fter a death certificate has been on file for five (5) years, it may not be changed in any manner except upon order of a court.”

In fact, Death Unit Policy, Section V on replacing certificates states “[a] death certificate may replace a previously submitted death certificate if ... [t]he supervisor deems a replacement is necessary.” Clearly, if the SSA has determined that SSN information on a death certificate is inaccurate, a replacement certificate is necessary.

In addition to playing an important role in ensuring the completeness of the SSDI, Vital Statistics death records are used by a number of public and private entities as an information source for controls designed to prevent improper payments. Greater accuracy will enable these controls to be more effective.

### *Recommendations*

We recommend that Vital Statistics:

- Use the Notice and any other reasonable means available to identify and correct inaccurate information on death certificates; and,
- Seek to revise the cooperative agreement between the states and the SSA to expand the Notice to include all errors.

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**CABINET FOR FAMILIES AND CHILDREN EXAMINATION RESPONSE**







PAUL E. PATTON  
GOVERNOR

THE SECRETARY FOR FAMILIES AND CHILDREN  
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VIOLA P. MILLER, ED. D.  
SECRETARY

December 12, 2002

Mr. Edward B. Hatchett, Jr.  
Auditor of Public Accounts  
Capitol Annex, Suite 144  
Frankfort, KY 40601

Re: Draft Report on Examination of Selected Transactions within the Cabinet  
for Families and Children Food Stamp Program

Dear Mr. Hatchett:

Thank you for the opportunity to respond to the recommendations contained in the draft report on the Cabinet's handling of the cases of deceased participants in the Food Stamp Program. The Cabinet is proud of its Food Stamp Program operations. As recently as last month, the Cabinet received national recognition for its efforts to enhance food stamp participation. As demonstrated by this award, the Cabinet's Food Stamp Program ensures convenient access and participation for the elderly and disabled.

Each month, the Cabinet issues \$38.2 million in food stamp benefits to over 480,000 needy recipients, including the elderly and disabled, the target population of your study. While I was not pleased with the isolated instances identified in your report, I was heartened by the minute amount of food stamps that may have been issued after participants have died. Program operations discussed below may further diminish the amount of food stamps erroneously issued to deceased participants.

The term "issued" does not mean Food Stamp benefits were actually used or "spent". Allow me to explain.

A "typical" household receiving food stamp, such as those studied in your report, consists primarily of a single, elderly or disabled household member. Generally, the monthly benefit is low; therefore, it is not unusual for the recipient to wait until the benefits have accumulated for several months before accessing them. In fact, a



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Mr. Edward B. Hatchett, Jr.  
December 12, 2002  
Page 2

recipient may wait to use each month's benefits for up to nine months, at which time only the unused, nine-month-old benefit is deleted from the recipient's account. The remaining eight months of benefits, plus the new month's benefits, remain in force. This occurs every time a nine-month-old benefit is not used. This process is called "expungement" and is discussed on page 6 of the draft report.

While each monthly benefit can be held for nine months, if at any time during those nine months the recipient uses a part of the monthly benefit, the nine-month window opens again. For example, suppose a recipient receives \$10.00 in food stamp benefits from January through September. If the recipient uses \$5.00 of benefits in July; the remaining \$5.00 balance of the January benefits will remain on the participant's EBT card until April of the following year, along with all the succeeding months of benefits.

These two examples show that, if the recipient died while having accumulated several months of benefits, the food stamps would have been "issued" but not necessarily fraudulently used or spent by the recipient or the "household". In fact, the Division of Family Support has been actively reviewing the cases that your staff reviewed and reference on page 7 of your draft report, and has identified only one case of possible fraud. We will continue to review each case cited in your audit to uncover exactly what occurred and whether any benefits were unlawfully accessed.

On page 5 of the draft report, you make three points concerning fraudulent claims that require additional comments:

(1) In the first paragraph on page 7, the report may mislead those who do not understand the program policy concerning referral of fraud cases. All cases involving EBT trafficking, regardless of the amount, are referred to the Attorney General's Office; this policy is a part of the Memorandum of Understanding between the Cabinet and the OAG.

(2) In response to the recommendation of the federal oversight agency for state food stamp programs, the Cabinet raised the referral amount for past-due claims from \$1,000.00 to \$3,000.00 in order to reduce the number of cases. The Cabinet's field staff collects those cases involving less than \$3,000.00.

(3) In the second paragraph on page 5, you state that "(o)ne surviving household member, acting as an authorized representative for the recipient, successfully completed the re-certification process nine months after the recipient's death." This case is being researched; however, it is important to note that if one spouse (or other household member) dies, there is a concomitant loss of income, be it a reduction in Social Security benefits, pension payments, etc. Therefore, even though the household may be reduced in number, it may also be reduced in income. In reality,

Mr. Edward B. Hatchett, Jr.  
December 12, 2002  
Page 3

the amount of food stamp benefits may increase, rather than decrease, as a result of the death of a household member.

With regard to your recommendations on page 7 of the draft report, we appreciate your suggestion that the Cabinet perform a monthly comparison of food stamp recipients with Vital Statistics data. The Cabinet is in the process of creating a separate file that will do just that. We thank you for helping the Cabinet bring this "best practice" to fruition. Finally, the Cabinet is proud to state that we are complying with the remaining three recommendations set forth in the draft report.

Please advise if you require any additional information or comment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Viola P. Miller".

Viola P. Miller  
Secretary

cc: Dietra Paris  
Cathy Mobley  
William K. Moore, Jr.  
Marcia R. Morgan  
John H. Walker

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**CABINET FOR HEALTH SERVICES EXAMINATION RESPONSE**





THE SECRETARY FOR HEALTH SERVICES  
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December 16, 2002

Hon. Edward B. Hatchett, Jr.  
Auditor of Public Accounts  
144 Capitol Annex  
Frankfort, Kentucky 40601

ATTN: Brian Lykins

RE: Auditor's Report on Deceased Cabinet for Families and Children Food Stamp Program  
Participants

Dear Mr. Hatchett:

The following constitutes the response of the Cabinet for Health Services to the draft Findings and Recommendations of the Auditor of Public Accounts in the Auditor's report on Deceased Cabinet for Families and Children Food Stamp Program Participants relevant to that portion of the examination draft report pertaining to the maintenance of vital records.

**Findings and Recommendations**

**Food Stamp Recipients continue to receive benefits well after death.**

**The accuracy of Vital Statistics death records must be improved.**

Recommendations:

- Use the Social Security Administration Death Process Notice and any other reasonable means available to identify and correct inaccurate information in death certificates.



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Letter to Edward B. Hatchett, Jr.  
December 16, 2002  
Page 2

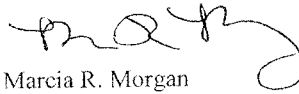
**Cabinet Response** The Cabinet for Health Services concurs with and accepts the recommendation of the Auditor of Public Accounts on the use of the Social Security Administration's Death Process Notice. Using Social Security Administration criteria and other information made available to the Vital Records program from the Social Security Administration or other government sources, the Cabinet's Vital Records program will begin the process of checking the accuracy of death certificate information. With the concurrence of the Cabinet's Office of the General Counsel, the Vital Records program will make the necessary and appropriate changes to death certificates filed within the past five (5) years based upon information on errors supplied by the Social Security Administration.

- Seek to revise the cooperative agreement between the states and the Social Security Administration to expand the notice to include all errors.

**Cabinet Response** The Cabinet for Health Services concurs with the recommendation. Renegotiating the multi-state agreement with the Social Security Administration to expand the information contained within the federal agency's Death Process Notice is a reasonable suggestion, and the Cabinet's Department for Public Health will pursue the matter with representatives of the National Association of Public Health Statistics and Information Systems (NAPHISIS), which is the national group responsible for negotiation of agreements on records between the Social Security Administration and state public health statistics and information system officials.

Thank you for the opportunity to respond to the draft findings and recommendations. If your office needs additional information on this matter, please do not hesitate to ask.

Sincerely,



Marcia R. Morgan  
Secretary

cc: Rice C. Leach, M.D., Commissioner  
Department for Public Health

Sandy Davis, Registrar of Vital Statistics



